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Letter dated 4 March 2013 from the Permanent Representatives of Viet Nam and the Netherlands to the United Nations addressed to the Secretary-General

The Permanent Missions of Viet Nam and the Netherlands to the United Nations have the honour to submit herewith the report of the meeting held in Hanoi from 10 to 13 January 2012 entitled "A pathway to a green economy in the context of sustainable development: focus on the role of markets and the promotion of sustainable forest management" (see annex).

The meeting, hosted by the Government of Viet Nam, was a country-led initiative in support of the United Nations Forum on Forests. It was jointly organized by the Governments of Viet Nam and the Netherlands, co-sponsored by the Government of Finland and supported by the secretariat of the Forum. More than 130 representatives of Governments, international and regional organizations and major groups of civil society from over 45 countries participated in the country-led initiative.

The Permanent Missions of Viet Nam and the Netherlands to the United Nations request that the Secretary-General issue the report as a document of the tenth session of the Forum, to be held from 8 to 19 April 2013.

(*Signed*) Le Hoai **Trung**
Permanent Representative of Viet Nam

(*Signed*) Herman **Schaper**
Permanent Representative of the Netherlands

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Annex to the letter dated 4 March 2013 from the Permanent Representatives of Viet Nam and the Netherlands to the United Nations addressed to the Secretary-General

Summary of the co-Chairs of the country-led initiative entitled "A pathway to a green economy in the context of sustainable development: focus on the role of markets and the promotion of sustainable forest management", held in Hanoi from 10 to 13 January 2012

I. Introduction

1. The country-led initiative entitled "A pathway to a green economy in the context of sustainable development: focus on the role of markets and the promotion of sustainable forest management", was held in support of the United Nations Forum on Forests from 10 to 13 January 2012 in Hanoi. The initiative was jointly organized by the Governments of Viet Nam and the Netherlands and co-sponsored by the Government of Finland and the secretariat of the Forum. More than 130 representatives of Governments, international and regional organizations and major groups of civil society from over 45 countries participated in the initiative.

2. The initiative was co-chaired by the Minister of Agriculture and Rural Development of Viet Nam, Cao Duc Phat, and the Director General of the Ministry of Economic Affairs, Agriculture and Innovation of the Netherlands, Hans Hoogeven. The initiative was supported by the Government of Finland and attended by the Director of the secretariat of the United Nations Forum on Forests, Jan McAlpine.

3. Forests are critical for human well-being and poverty reduction, and play a key role in helping countries transition towards a green economy. This provides an opportunity for the development of policy frameworks and market instruments that effectively curb deforestation and forest degradation and that unleash the full potential of forests to contribute to long-term sustainable development. The value of natural assets and ecosystems, including forests, to economies, people's livelihoods and society in general is routinely undervalued in development decision-making.

4. The key objective of the initiative was to focus on the role of market-based instruments, especially in promoting international trade and legally produced timber, and on private and Government procurement policies aimed at combating deforestation and enhancing the ability of forests to contribute to a green economy.

5. The themes discussed at the initiative aimed at:

(a) Exchanging best practices and lessons learned on cross-sectoral forest governance and forest law enforcement practices to support the implementation of the non-legally binding instrument on all types of forests, adopted by the General Assembly at its sixty-second session, in 2007 (see resolution 62/98, annex);

(b) Sharing strategies and experiences on how to create an environment at the national, regional and international levels to facilitate the enhancement of international trade in legally produced timber;

(c) Taking stock of existing and emerging initiatives, including from the private sector, to enhance trade in legally produced timber products with regard to producers, processing industries and consumers;

(d) Identifying gaps and duplications in order to enhance coherence, coordination and collaboration between existing forest-related initiatives;

(e) Identifying lessons learned from local and national capacity-building efforts to increase the benefits gained from the legal and sustainable production of timber and forest products;

(f) Analysing the role of forest land tenure and community involvement in sustainable forest management and the legal trade in timber and forest products;

(g) Identifying possibilities for cooperation among Governments, regional organizations, timber trade federations and the private sector in combating international trade in illegally harvested timber and forest products.

6. At the initiative, these themes were addressed to better understand the interlinkages between sustainable forest management, energy and food security, discuss the conditions needed to facilitate the transition by countries to a greener economy and identify the policy space and incentives to trigger actions for achieving the desired change.

7. Organized in the framework of the International Year of Forests, the initiative was intended to provide input to various processes, including those linked to the United Nations Conference on Sustainable Development, held in Rio de Janeiro, Brazil, in June 2012, and the tenth session of the United Nations Forum on Forests, to be held in Istanbul, Turkey, in April 2013.

II. Opening session

8. The Minister of Agriculture and Rural Development of Viet Nam, Mr. Cao, indicated that the emergence of a green economy provided an opportunity for the development of policy frameworks and market instruments that effectively curb deforestation and forest degradation and that unleash the full potential of forests to contribute to long-term sustainable development. Mr. Cao noted that many Governments and institutions had been creating the conditions that would enable increased investments into a transition to a green economy. In order to achieve the overall goals of a green economy, resources must be mobilized to promote the transition at the global level, including by directing such resources to indispensable areas such as natural capital, energy and resource efficiency. All those areas must receive appropriate and sufficient investment.

9. Mr. Cao said that for many years, the Vietnamese forestry sector had made important, remarkable achievements thanks to reformed policies, investment by the Government and substantial support from the international community. Forest coverage was rapidly expanding and lands and hills that had been bare were once again becoming green. At the same time, the Vietnamese forestry sector was also facing challenges and obstacles, for example in terms of deforestation and the illegal timber trade. A number of issues needed to be addressed, including on how to effectively protect forests, especially in the context of international economic integration.

10. The Director General of the Ministry of Economic Affairs, Agriculture and Innovation of the Netherlands, Mr. Hoogeveen, stressed that the world was facing one of the biggest challenges of the twenty-first century: how to feed 9 billion people in 2050 in a way that would not be detrimental to planet Earth, under a changing climate and in the context of growing competition for land and natural resources. The challenge could only be met if food security, agriculture and sustainable forest management were linked. To address these challenges, the global economy would have to make a major transition away from the business-as-usual approach. A paradigm shift and a broader approach were needed. Foresters would have to leave the woods. Mr. Hoogeveen said that global forest governance was a complex problem because it was driven by multiple linkages with other forest-related issues, including food security. As such, tradesmen and timber traders had a special responsibility in legal and sustainable forest management. In the past, most efforts had been focused on supporting timber-producing countries in the management of forests. Nowadays increasing attention was being paid to the role that demand-side measures could play. It was for this reason that the role of Government agencies as consumers of timber products was increasingly gaining prominence in the development of public procurement policies worldwide. A growing number of timber traders, retailers and end-users were seeking assurances with regard to the way in which forest products were produced.

11. Mr. Hoogeveen said that there was a strong need to bring all those important issues and stakeholders together. The Governments of Viet Nam and the Netherlands had taken the initiative to launch a round table on sustainably produced timber with a view to promote synergies and action among the various actors, including the private sector, consumers, civil society entities and Governments, on sustainably produced timber and forest products while addressing the need for food security.

12. The Director of the secretariat of the United Nations Forum on Forests, Ms. McAlpine, addressed the effects of trade on forest-dependent communities and underscored the need for a cross-sectoral approach. An example of such a cross-sectoral approach was landscape restoration, which brought together forest-dependent communities, the private sector and local governments to identify and put in place land-use systems that would help restore the various forest functions across a whole landscape. Such an approach was intended to shift the emphasis away from maximizing only the economic or environmental benefits to optimizing the social, economic and environmental benefits of forests within the broader landscape. Ms. McAlpine emphasized that forests were the cornerstone of the entire landscape, which included wetlands, agricultural areas, mountains, drylands and rivers, as well as biodiversity and people. Landscape restoration and sustainable forest management could only be achieved when all stakeholders, including Governments, private institutions and local communities, worked together using a cross-sectoral, cross-institutional strategy at a landscape level. The challenge was to explore institutional arrangements that were better suited to each country's dynamic conditions, as a one-size-fits-all solution did not exist.

13. Ms. McAlpine noted that, in order to achieve sustainable forest management, it was necessary to move past a narrow sylviculture-only approach to forest management. In many countries, the private sector was at the forefront of providing forest products to end-users and its actions directly influenced consumer behaviour. Positive support from the consumers of forest products for sustainably managed forests could help restore the forest landscape. By the same token, public

institutions were in a position to put in place incentives for the private sector to support the changes required to meet the needs of forest-dependent communities while complying with international trade rules and regulations. Doing so would entail utilizing measures such as the introduction of voluntary codes of conduct for industry, the certification and labelling of sustainably sourced forest products and payment for ecosystem services.

III. Main themes

Setting the scene

14. The Director of Tropenbos International, René Boot, provided an overview of the overarching thematic areas. He highlighted that forests provided a host of goods and environmental services. The Millennium Ecosystem Assessment grouped those ecosystem services into four categories: supporting services, provisioning services, regulating services and cultural services. Recent studies on the value of the services included in those four categories had demonstrated that timber and water services were the ones most valued. Their actual value, however, was relatively small in comparison to their potential value.

15. Mr. Boot noted that forests also played a role in global challenges such as climate change, biodiversity loss, poverty, food and water security, energy and conflict.

16. He said that, despite the importance of forests for local, national and international well-being, and their role in global challenges, deforestation and forest degradation continued unabated, especially in South America, Africa and South-East Asia. Europe and East Asia had transitioned in the previous decade from recording a net loss to a net gain in terms of forests.

17. Mr. Boot stressed that, in order to preserve the benefits derived from forests for society, it was important to make the sustainable use of forests a more competitive use of land compared with other uses. For that to happen, it was important to increase the benefits of sustainable forest management to those who owned or managed forests and to reduce the risk of investing in forests and forestry.

18. In the previous 15 years, a host of innovative market-based instruments had been developed for the environmental services provided by healthy ecosystems. In general, the instruments aimed to change the behaviour of consumers and producers by sending price signals to them. The instruments could be grouped in three categories according to whether they were certification schemes, whether they dealt with payment for environmental services or whether they addressed taxes and subsidies.

19. Mr. Boot said that current markets for ecosystem services fell into two categories: voluntary markets and Government-mediated or compliance markets. Voluntary markets were often innovative and flexible and provided ample room for experimenting with what worked and what did not. Most voluntary markets, however, appeared to be small and paid for with funds for corporate social responsibility. In contrast, compliance markets were less flexible but had the potential to have a greater impact. That impact, however, depended on regulation and control, both of which were weak in most countries. The differences between voluntary and compliance markets indirectly pointed to the roles of Governments, regional economic organizations and multilateral environmental organizations, which

were to facilitate the creation and development of market-based instruments and markets, regulate them and enforce the underlying laws, regulations and policies.

20. The main themes at the initiative were introduced by leading experts and illustrated during a field trip to Woodsland, a company based close to Hanoi.

Market instruments

21. The theme of market instruments was introduced by Tran Huu Nghi (Viet Nam), who said that during previous years market-based instruments had gained prominence in the debate on the production of timber and timber products from sustainably managed forests. Timber-producing countries, local communities and small-scale industries had had to prepare for those new market realities. Mr. Tran added that Viet Nam was preparing to meet those new requirements for the furniture export market. Viet Nam had an expanding timber industry and was very much aware that those developments offered opportunities as well as challenges. Progress had been made by the Government and timber industries to meet the requirements.

Removing obstacles for sustainable trade

22. The theme of removing obstacles for sustainable trade was introduced by Subhash Chandra (India), who, in his presentation on sustainable forest management in India and sustainable trade in timber and timber products, gave an overview of the importance of sustainable trade for meeting the growing need for fuel wood and timber in India, but also of the importance of non-timber forest products. India had recently developed several initiatives to respond to that growing need and promote sustainable forest management. Some of the initiatives involved launching of a national mission for a "green India" in 2011, based on a landscape approach aimed at a qualitative and quantitative enhancement of the forest cover, addressing issues of land degradation, empowering forest-dependent communities through joint forest management efforts and increasing the livelihood opportunities of local communities. India agreed that timber and forest products for trade should be sustainable and come from sustainably managed forests. There should be greater emphasis on improving the management of non-timber forest products. A process of forest certification based on a chain of custody was being discussed. India's National Afforestation Programme supported afforestation through public participation by empowering local communities.

Lessons learned in forest law enforcement

23. The theme of lessons learned in forest law enforcement was introduced by Xiao Wangxin and Lu Shilei (China), who shared information about China's policies on the management of forest resources and on the trade in forest products. The emphasis of the presentation was on enforcement-related issues.

24. The overall trend with regard to forest stock volume and forest cover was upwards. Forest resources management in China was based on clear administration. Monitoring and assessment activities took place to adjust the management to changing circumstances.

25. The basis for enforcement was laid down in several laws at the national and local levels. Forest law enforcement combined administrative protection with judicial protection, and routine enforcement with special crackdown campaigns.

Furthermore, and to complement this, efforts had been made to raise the legal awareness and ecological morals of the public on the need to protect forest resources.

26. In the second part of their presentation, Ms. Xiao and Mr. Lu informed the participants about the need to develop an economy based on non-timber forest products in order to protect forest resources. The basis for this policy was to enhance the productivity of forest land, address farmers' requirement to increase their income and fulfil the State's need to improve the environment and promote the legal timber trade. Key to achieving those aims was a reform of the forest tenure system based on the interests of the forest communities. Successful experiences include combining forest activities and fruit agriculture, forest activities and husbandry, forest activities and beekeeping and forest activities and ecotourism.

Sustainable forest management and food security

27. The theme of sustainable forest management and food security was introduced by Nelson Maina of the Ministry of Forestry and Wildlife of Kenya. On the basis of the Kenya case study, Mr. Maina highlighted the importance of articulating the linkage between sustainable forest management and food security as a pathway to a green economy. He articulated the linkage through a set of policy recommendations aimed at meeting the needs of the bottom billion, facilitating the transition to a greener economy and identifying the conditions and incentives that would trigger the desired changes. While noting that resource scarcity was important, Mr. Maina said that it was not the limiting factor; rather, it was the lack of commitment and capacity to manage scarcity that posed limitations and represented a particular challenge in the current economic climate. The consequences of inaction would have an increasingly negative effect on people's welfare, economic growth, jobs and the environment.

28. To start setting the framework for an informed approach with links across sectors to optimize resource use, balance the allocation of resources for competing uses and stimulate economic growth, it was necessary to identify a set of well-established objectives. Such a framework should aim to contribute to eradicating poverty, ensuring water, energy and food security for all, achieving sustainable and equitable development, maintaining productive and resilient ecosystems, including through sustainable forest management, and reducing vulnerability to climate variability and change.

IV. Outcomes of the break-out groups

29. After the introduction of each theme, the participants in the initiative had more in-depth discussions on important issues in three parallel break-out groups, which reported back to the plenary. In four sessions focusing on the main themes, the break-out groups discussed challenges and solutions to the use of market instruments, removing obstacles to trade in sustainably produced timber and forest products, lessons learned in law enforcement and the relationship between sustainable forest management and food security. The participants were asked to identify actors to take up the implementation of the proposed solutions; these actors are mentioned in brackets after each of the actions identified below.[1]

[1] The present report focuses on the main points. The introductory presentations and the reports of the break-out groups are available from www.isgmard.org.vn/clivietnam2012.

A. Market instruments

30. The following solutions were proposed:

(a) Facilitate the creation and development of market-based instruments and markets through policy and regulation (Governments; private sector);

(b) Assist farmers and small producers in getting market access, including by establishing cooperatives (Governments; private sector);

(c) Develop clear land use policies, in particular regarding land tenure and the delineation of forest borders (Governments);

(d) Internalize the cost of sustainable forest management, including with regard to certification, in timber prices (Governments; private sector);

(e) Promote technical assistance on the valuation of ecosystem services in order to encourage coherent payment schemes for such services (international institutions; Governments; research institutes; civil society);

(f) Create market awareness of sustainable forest management on the supply side as well as on the demand side (Governments; private sector);

(g) Encourage partnerships between Governments, the private sector and civil society in order to provide technical and financial assistance for the implementation of sustainable forest management policies at the local level (Governments; private sector; civil society);

(h) Enhance cooperation within the sector and the value chain with a view to strengthening sustainable forest management (Governments; private sector);

(i) Encourage cooperation among all stakeholders involved in providing sound statistical market information and tools for the valuation of sustainably produced timber and forest products (intergovernmental organizations; Governments; private sector; research institutions).

B. Removing obstacles to trade in sustainably produced timber and forest products

31. The following solutions were proposed:

(a) Promote and facilitate investments by the private sector into sustainable forest management (Governments; private sector);

(b) Raise awareness at all levels, in producing and consuming countries, of the need for sustainably produced timber and forest products (Governments; private sector; civil society);

(c) Stimulate market intervention in consuming countries through (public) procurement policies (Governments; private sector; civil society);

(d) Develop an international standard for trade in sustainably produced timber products that is broadly supported by all relevant stakeholders and that companies commit themselves to using (international organizations; Governments; private sector; civil society; research institutions),

(e) Develop a step-by-step approach towards sustainable forest management, addressing legal timber as a first step (Governments; private sector);

(f) Promote the benefits of sustainable forest management and the renewability of timber as a raw material (Governments; civil society);

(g) Promote close cooperation among all the links in the value chain at the global, national and local levels, and stimulate the establishment of business associations in the sector (Governments; private sector);

(h) Facilitate market access for producers from small island States through technical assistance and capacity-building (international organizations; Governments; private sector; civil society).

C. Lessons learned in law enforcement

32. The following solutions were proposed:

(a) Establish proper legal frameworks that are regularly updated and created with the participation of all the relevant stakeholders (Governments);

(b) Involve and create partnerships with local communities in the enforcement of legislation related to sustainable forest management (Governments; civil society);

(c) Use, where appropriate and possible, indigenous laws in order to ensure effective law enforcement at the local level (Governments; civil society);

(d) Establish capacity-building and training programmes for law enforcers in order to enhance the effectiveness of law enforcement (international institutions; Governments);

(e) Reform and/or strengthen institutional arrangements for law enforcement (Governments);

(f) Provide adequate resources (in terms of staff and budget) to enforce legislation in the area of sustainable forest management at the national and local levels (Governments);

(g) Develop and strengthen monitoring and reporting mechanisms on law enforcement at the national level (Governments);

(h) Create at the international level a network, using information technology, to ensure a continuous exchange of information, best practices and lessons learned in law enforcement, while recognizing different circumstances and customs in different countries (international organizations; Governments; civil society).

D. Sustainable forest management and food security

33. The following solutions were proposed:

(a) Promote the landscape approach as a framework for discussing the linkages between agriculture, food security and sustainable forest management (international institutions; Governments; civil society);

(b) Strengthen institutional arrangements to apply a coherent and participative landscape approach (international institutions; Governments; civil society);

(c) Promote consensus on the understanding of the links between agriculture, food security and sustainable forest management (international institutions; Governments; civil society);

(d) Recognize the value of traditional knowledge on agriculture, agroforestry and forestry, and make use of it.

V. Key messages

34. Nearly one quarter of the world's population depends on forests for its survival. Local people, including women, and forest-dependent communities are critical to achieving sustainable forest management. There is a need to create conditions that will enable the sustainable management of forests, including by strengthening cooperation in the areas of finance, trade in sustainably produced forest products, transfer of environmentally sound technologies, capacity-building and governance, as well as by promoting secure land tenure, participatory decision-making and benefit-sharing.

35. The role of the private sector in driving the green growth agenda needs to be emphasized. Sound public policies on and investments into the forest sector are central but not enough. The private sector is the engine for innovative solutions and the main channel for transformational change. On the demand side, societal and personal choices on lifestyle and behaviour are critical. Globalization has demonstrated that consumers can have significant influence on manufacturers and suppliers, as well as on Governments, pushing them to take a more proactive approach to the sustainable production and consumption of timber products. To facilitate this paradigm shift, the Governments of Viet Nam and the Netherlands have taken the initiative to launch a round table with a view to promoting synergies and action among various actors, including the private sector, consumers, civil society, Governments and multilateral organizations, on sustainably produced timber and forest products while addressing the need for food security.

36. Achieving sustainable forest management is a critical component of any green growth strategy that also keeps in mind sustainable development. Failing to recognize the consequences of one sector on another can lead to failures of the governance system. Weak governance systems, limited awareness, ineffective market mechanisms, distortions from subsidies and unsustainable investment can trigger a set of unintended consequences of decisions made in one sector and affecting another. The result is the suboptimal management of resources, which in turn results in a failure to achieve sustainable forest management. For example, synergies between agriculture, food security and sustainable forest management need to be encouraged, and the fact that sustainable forest management encompasses a comprehensive approach to forests as a cornerstone of a broader landscape needs to be underscored.

37. The linkages between agriculture, food security and sustainable forest management within a broader landscape approach need to be recognized. Forests are critical for human well-being and poverty reduction across landscapes and economic sectors. Achieving sustainable forest management and food security leads to reducing hunger and eradicating poverty, which are required for green growth strategies to work and which can be achieved even under difficult and challenging global economic conditions.

38. Sustainable forest management needs to be mainstreamed in United Nations institutions and international financial institutions, as well as at the national level. Mainstreaming prevents the fragmentation of sectors and institutions dealing with and affecting forests. In a green economy, the issue of forests cuts across all sectors.

It is possible to take a more interlinked and cross-sectoral approach within existing organizational structures, although changes to procedures and processes are necessary. In summary, policy coherence for sectoral implementation and management is needed. This requires active leadership supported by the requisite enabling frameworks and incentives. Benefits will be received in the forms of food security, poverty reduction and more sustainable growth.

VI. The way forward

39. The emergence of a green economy provides an opportunity to develop effective policy frameworks and market instruments that effectively curb deforestation and forest degradation, unleashing the full potential of forests to contribute to long-term sustainable development.

40. The world is reaching, and with regard to some resources has already exceeded, the sustainable limit of resource availability, which is why there is a critical need to build on more innovative solutions. This realization is at the heart of the green economy, which aims to bring a broader perspective into decision-making. The objective of creating greater interlinkages between policy development, planning and monitoring processes can be achieved by targeted cooperation, cross-sectoral relations, improved procedures and regulatory measures while concentrating on the fundamental need to improve sector performance and cooperation. This applies at the national level, through strategic planning and functional linkages to coordinate sectoral ministries and other stakeholders, including civil society; at the local level, in ensuring access to basic services; and at the international level, through more effective coordination in implementing existing multilateral environment agreements and the emerging green economy.

41. The challenge of working through an integrated approach is central to the green economy, the themes addressed at the United Nations Conference on Sustainable Development and the related sustainable development goals.

42. The outcomes of the country-led initiative held in Viet Nam were intended as input to the preparatory process for the United Nations Conference on Sustainable Development. The present Conference report to the United Nations Forum on Forests at its tenth session will inform the decisions to be taken on economic development and forest finance and is critical to the consideration of the international arrangement on forests to be taken up by the Forum at its eleventh session. The relevance of the policy recommendations were further elaborated at the second Global Conference on Agriculture, Food Security and Climate Change, which was held in Hanoi from 3 to 7 September 2012 and was also hosted by the Government of Viet Nam.